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C O N F I D E N T I A L ABU DHABI 000452

SIPDIS

STATE FOR NEA, EB, NEA/ARPI
STATE PASS USTR FOR AUSTR DONNELLY AND DOUG BELL

E.O. 12958: DECL: 02/08/2016

TAGS: [ETRD](#) [ECON](#) [EPET](#) [AE](#) [FTA](#)

SUBJECT: MOVING THE FTA FORWARD-- NATURAL RESOURCES

REF: ABU DHABI 235

Classified By: AMBASSADOR MICHELE J. SISON FOR REASONS 1.4 (B & D).

1. (U) This is an action request. Please see paragraph 5.

2. (C) The issue of ownership of natural resources is one of the biggest stumbling blocks to moving FTA negotiations with the UAE forward. Senior UAE officials, including Abu Dhabi Ruling Family Member, Sheikh Abdullah, have stressed that ownership of natural resources is a "red line." UAE negotiators' concerns about ownership of natural resources have stalled progress in the investment chapter. At the suggestion of the UAE lead negotiator, the issue of ownership of natural resources was moved to "the political level." It is not clear, however, that Abu Dhabi's political leadership completely understand what the U.S. is asking for.

3. (C) During a February 7 visit to the Embassy, UAE Washington Commercial Attache Reem Al-Hashemi told Ambassador and Econchief that ownership of natural resources was a strategic necessity for the UAE. She understood, however, that a blanket exclusion of the natural resources sector was a non-starter for the U.S. Based on our conversations, we are not sure that the UAE really understands what we want in natural resources. Al-Hashemi asked, for example, whether the U.S. was focused on expropriation, or on some services related to oil, such as accounting (which she didn't think needed protection). It would be useful if we could help them focus their attention on what really matters to them and to us. The UAE already allows upstream participation in the oil industry and has a significant foreign presence here. Although the SPC has not yet made the decision public, it just approved Exxon/Mobil's bid for a 28% stake in the Upper Zakum offshore field with a 20 year concession agreement. The onshore concession runs until 2014 and the other offshore concession runs until 2018.

4. (C) Proposed Action Plan - Ambassador has requested a meeting next week with UAE Information Minister Sheikh Abdullah bin Zayed Al-Nahyan (who has the FTA account for the Abu Dhabi ruling family) in an effort to move it forward. If Abu Dhabi leadership better understands what we are most interested in, it should help them focus on what they really want to protect. Currently, we are concerned that their understanding is limited to a fear that the U.S. is interested in "taking the patrimony." Based on the outcome of the meeting with Sheikh Abdullah, we would suggest a conference call between senior USTR, State, and Embassy officials and Sheikh Abdullah to have a more complete discussion of the natural resources issue. (The UAE may want to bring the Abu Dhabi National Oil Company into the discussion to help it clarify its concerns.) Based on the outcome of the call, Ambassador can pursue the issue with other members of the Abu Dhabi ruling family.

5. (C) Action Request. We request specific points from USTR by COB Washington Time Friday that would help us clarify to the UAE the specific issues related to natural resources.
End Action Request.
SISON